

Dagong Credit Rating Bulletin

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Dagong Global Credit Rating Co., Ltd. (Dagong) assigned BBB_{zc}⁺ credit rating on Beijing Jiuzhoudadi Bio-tech. Co., Ltd. The rating reflects the opportunities brought by development of aquaculture industry and increase of livestock and poultry price, certain R&D ability, sufficient raw material supply and stable sale channels. On the other hand, the company faces weak industry centralization, fierce competitions, similar products, small company scale, weak profitability and weak operational cash flow.

Nowadays, the feed industry is in the phase of meager profit, the new industry reformation has started and the expand to upper- and lower- chain has become new developing direction; additionally, the weak industry centralization constrained the develop of feed sale; meanwhile, the barrier to enter this industry is low and unregulated operation is obvious. The company has not have economy of scale and high reputation. But company has already qualified as high-tech entity; almost all R&D staffs are sensitive to the research direction and have certain research ability.

Based on the sale channels advantage of branches, the core premix feed is source of main revenue and profit and ruminant premix feed becomes new source of revenue and profit. The gross profit of main products are higher than the average level of industry; the relationship with clients are kept stable, which is good for the development of business; the structure and internal policy is complete; the future development strategy is to look for the new direction of revolution; the clients groups are small and the price of products are transparent for clients, which result to weak bargaining power of company.

Recently, the revenue of company fluctuated and the profitability is not that strong; the

assets scale and assets structure are stable and with high quality. The liquidity and operation efficiency is good; the main liability is current liability and the asset-liability ratio is low. The short-term debt and other intern-company account payable consisted of most of debts. The operational cash flow is influenced by those intern-company cash flow and the short-term debt repayment ability is in common level.

Dagong reserves the right for reviewing the credit condition of the Company and announcement of change to the credit rating.

Sep 4th,2008

Dagong Global Credit Rating Co., Ltd.